NOTE 10: INCOME TAXES

The components of the provision for income taxes follow:

	Year Ended December 31,		
	1992	1991	1990
Federal			
Current	$377.4	$429.4	$317.8
Deferred	129.5	(226.8)	203.0
Invested tax credits – net	(63.2)	(74.9)	(70.5)
	443.7	127.7	450.3
State and local			
Current	58.8	71.7	51.5
Deferred	32.5	(12.1)	58.8
	91.3	59.6	110.3
Provision for income taxes	$535.0	$187.3	$560.6

Deferred investment tax credits amortized were $65.6 in 1992, $75.4 in 1991 and $72.6 in 1990. The unamortized balance of investment tax credits at December 31, 1992 and 1991, was $520.8 and $586.0, respectively.

Amounts paid for income taxes were $458.8, $484.3 and $387.5 in 1992, 1991 and 1990, respectively.

The effective tax rate differs from the statutory tax rate as follows:

	Year Ended December 31,		
In percent	1992	1991	1990
Federal statutory tax rate	34.0	34.0	34.0
Investment tax credit amortization	(3.9)	(4.6)	(4.2)
State income taxes – net	3.5	4.3	4.1
Rate differential on reversing temporary differences	(2.8)	(3.1)	(2.8)
Depreciation on capitalized overheads – net	1.9	2.2	2.3
Other	(1.5)	(1.8)	(1.5)
Restructuring charge	–	(5.7)	–
Effective tax rate	31.2	25.3	31.9

The cumulative balance sheet effects of deferred tax consequences are:

	December 31,	
	1992	1991
Depreciation related temporary differences	$2,623.2	$2,561.8
Lease related differences	598.0	616.7
State deferred taxes – net of federal effects	272.9	375.4
Previously flowed through items	342.5	372.8
Unamortized investment tax credits	(178.2)	(200.1)
Revenue requirement adjustment to regulatory asset and liability – net	(107.2)	(130.1)
Postemployment benefits including pension	(814.1)	108.5
All other temporary differences	(203.1)	(326.4)
Deferred income taxes	$2,534.0	$3,378.6

As a result of implementing SFAS No. 96, U S WEST Communications recorded additional deferred taxes and established a corresponding regulatory asset, primarily related to the cumulative amount of deferred tax benefits previously flowed through to ratepayers. These deferred tax amounts are being amortized over the lives of the related depreciable assets concurrent with their recovery through rates. The unamortized balance of the regulatory asset at December 31, 1992 and 1991, is approximately $860 and $900, respectively.

In addition, U S WEST Communications recorded a regulatory liability coincidental with the reduction of the deferred tax reserves from higher historical to lower current tax rates. The regulatory liability is being amortized over the lives of the related depreciable assets in accordance with the average rate assumption method required by the Tax Reform Act of 1986. The unamortized balance of the regulatory liability at December 31, 1992 and 1991, is approximately $1,140 and $1,240, respectively.

The aforementioned regulatory asset and liability have been grossed up, in accordance with SFAS No. 96, for the tax effect of future revenue requirements.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are engaged in various legal and regulatory actions, some of which involve substantial monetary claims. At December 31, 1992, there were no known contingent liabilities, pending litigation or other claims that, in the opinion of management, would be material in relation to U S WEST's consolidated financial position.

NOTE 12: RESTRUCTURING CHARGE

The Company's 1991 operating results reflect a pretax restructuring charge of $915 due to workforce reductions, projected losses associated with exiting the real estate business and the write-off of certain intangible assets. The workforce reductions are expected to affect about 6,000 management and non-management employees of U S WEST Communications. The portion of the charge related to a reserve for workforce reductions was $240, of which approximately $160 is unused at December 31, 1992. The portion of the charge related to a valuation allowance for real estate operations was $500 and was intended to cover both carrying costs and losses on disposal of the properties. Real estate revenues of $214.2, less operating costs of $212.8 and interest expense of $98.9, were charged to the valuation allowance during 1992. The balance of the real estate valuation allowance at December 31, 1992, approximates $402.5.

NOTE 13: ADDITIONAL FINANCIAL INFORMATION

Information for Financial Services, a member of the Capital Assets segment, follows:

	Year Ended December 31,		
Summarized Operating Results	1992	1991	1990
Revenues	$302.0	$333.8	$327.1
Income (loss) before parent support and income taxes	83.3	(2.5)	58.1
Income (loss) before parent support	55.1	(1.6)	38.6
Net income	55.1	52.2	41.2

	December 31,	
Summarized Financial Position	1992	1991
Net finance receivables	$3,176.5	$3,102.8
Total assets	3,423.7	3,507.0
Total debt	2,324.6	2,456.6
Total liabilities	3,054.7	3,138.0
Shareowner's equity	369.0	369.0

For the year ended December 31, 1991, Financial Services' operating results reflect a pretax charge of approximately $50 due to the write-off of intangible assets as described in Note 12.

NOTE 14: QUARTERLY FINANCIAL DATA (UNAUDITED)

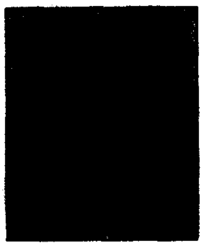
Quarterly financial data, and per share market and dividend data, are presented below:

Quarterly Financial Data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1992				
Sales and other revenues	$2,514.3	$2,547.8	$2,566.2	$2,652.8
Income before income taxes and cumulative effect of change in accounting principles	467.7	428.3	386.9	431.5
Income before cumulative effect of change in accounting principles	317.3	292.3	266.2	303.6
Net income (loss)	(1,476.1)	292.3	266.2	303.6
Earnings per share before cumulative effect of change in accounting principles	0.77	0.71	0.65	0.73
Earnings (loss) per share	(3.58)	0.71	0.65	0.73
1991				
Sales and other revenues	$2,449.8	$2,501.2	$2,616.9	$3,009.3
Income (loss) before income taxes	422.9	408.1	390.3	(480.6)
Net income (loss)	285.9	276.6	269.3	(278.4)
Earnings (loss) per share	0.73	0.70	0.66	(0.68)

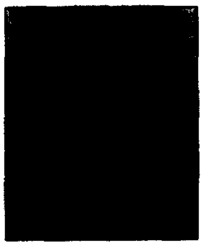
Certain quarterly data for 1992 has been restated as a result of the adoption of SFAS Nos. 106 and 112, effective January 1, 1992. The restatement had the following effects: Income before income taxes and cumulative effect of change in accounting principles decreased $27.4, $27.5 and $27.5; income before cumulative effect of change in accounting principles decreased $17.1 ($.04 per share), $17.2 ($.04 per share) and $17.2 ($.04 per share); net income decreased $1,810.5 ($4.39 per share), $17.2 ($.04 per share) and $17.2 ($.04 per share) for the first, second and third quarters, respectively.

Fourth quarter 1991 net income was reduced by approximately $590 due to the restructuring charge described in Note 12.

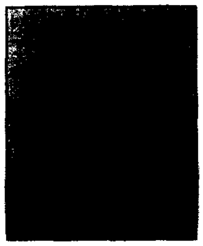
Per Share Market and Dividend Data (whole dollars)	Market Price High	Market Price Low	Market Price Close	Dividend
1992				
First	$38.875	$33.375	$34.125	$0.53
Second	36.875	32.375	36.500	0.53
Third	40.000	36.250	38.000	0.53
Fourth	40.000	35.250	38.375	0.53
1991				
First	$40.750	$35.000	$39.125	$0.52
Second	40.000	34.000	35.375	0.52
Third	37.625	34.375	35.875	0.52
Fourth	38.000	33.750	37.875	0.52



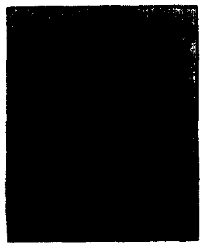
Dick Cheney - 52
A former secretary of defense in the Bush Administration, Mr. Cheney currently is a senior fellow with the American Enterprise Institute in Washington, D.C. The former five term congressman from Wyoming also served as chief of staff for President Gerald Ford. He joined the U S WEST board in 1993.



Remedios Diaz-Oliver - 54
The president and chief executive officer of All American Container, Inc., which sells and distributes glass, plastic and metal containers for a variety of products worldwide. Ms. Diaz-Oliver joined the U S WEST board in 1988.

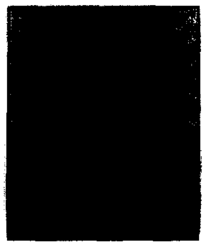


Grant A. Dove - 64
The former chairman of the board of Microelectronics and Computer Technology Corporation, a cooperative research venture that funds research into computer technology. He spent nearly 30 years in a number of executive and operating positions with Texas Instruments. He joined the U S WEST board in 1988.

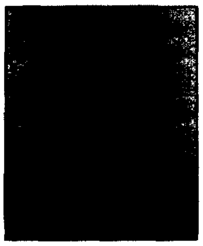


Mary M. Gates - 63
A regent of the University of Washington since 1975, Ms. Gates served as a director of Pacific Northwest Bell from 1979 to 1988 and as a director of U S WEST's cellular communications company, U S WEST NewVector Group, in 1990-1991. She joined the U S WEST board in 1992.

Allan D. Gilmour - 57
Vice chairman of the Ford Motor Co. Mr. Gilmour has had a number of executive assignments since joining Ford in 1960. He served as the company's chief financial officer before taking over leadership of their international automotive operations and, later, the Ford Automotive Group. He joined the U S WEST board in 1992.

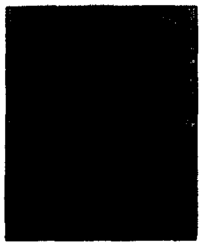


Pierson M. Grieve - 65
The chairman and chief executive officer of Ecolab, Inc., a leading worldwide developer and marketer of premium cleaning, sanitizing and maintenance products and services for the hospitality, institutional and residential markets. He joined the U S WEST board in 1990, and chairs the Board Affairs Committee.

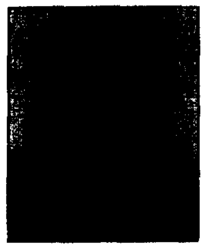


Shirley M. Hufstedler - 67
A partner in the law firm of Hufstedler, Kaus & Ettinger. She served as the United States Secretary of Education during the Carter Administration and, for 11 years, as a judge of the U.S. Court of Appeals for the Ninth Circuit. Ms. Hufstedler joined the U S WEST board in 1983, and chairs the Public Policy Committee.

Allen E. Jacobson - 66
The former chairman and chief executive officer of 3M. He has been a member of the U S WEST board since 1983 and is chairman of the Corporate Development and Finance Committee.

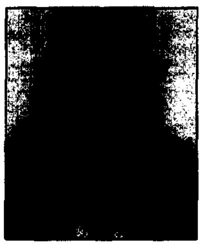


Richard D. McCormick - 52
Named president and chief executive officer of U S WEST effective January 1, 1991 and chairman of the board May 1, 1992. Mr. McCormick was president of Northwestern Bell Telephone Comany before joining U S WEST as executive vice president in 1985. He became a member of the company's board in 1986.



Glen L. Ryland - 68
The president of RYCO, Inc. He is a former chairman, president and chief executive officer of Frontier Holdings, Inc., and of its principal subsidiary, Frontier Airlines. He joined the U S WEST board in 1983 and is chairman of the Audit Committee.

Jack D. Sparks - 70
The former chairman, chief executive officer and president of Whirlpool Corporation. He was elected to the U S WEST board in 1985 and is chairman of the Human Resources Committee. Having reached the mandatory retirement age of 70, Mr. Sparks will retire from the board at the company's annual meeting in May 1993.



Jerry O. Williams - 54
General partner of Grand Eagle Enterprises, a private investment group, he is former president and chief operating officer of AM International, Inc., a manufacturer and seller of design, display, reproduction and finishing products and supplies in the graphics industry. He joined the U S WEST board in 1988

Daniel Yankelovich - 68
The founder and chairman of DYG, Inc., a leading market research firm. He also founded Yankelovich, Skelly and White, one of the nation's largest opinion research organizations He joined U S WEST's board in 1983 and is chairman of the Trust Investment Committee

BOARD RETIREMENTS

On May 1, 1992, at the company's Annual Meeting of Shareowners in Seattle, Jack A. MacAllister, former chairman of U S WEST, and Willis A. Strauss, a former board member, retired.

MacAllister was elected chairman emeritus and Strauss was elected director emeritus in recognition of their years of service, commitment and dedication to U S WEST.

According to Chairman of the Board Richard McCormick, "Jack MacAllister's vision and leadership from U S WEST's inception in 1983 were instrumental in shaping the dimensions of our business and the character of our corporation.

"Willis Strauss has an outstanding record of service to the board, dating back to its creation in 1983. He was an original member of the board and was dedicated to the company's growth and development.

"We will miss the wise counsel, generous contributions and keen insights that both members provided."

EXECUTIVE AND SUBSIDIARY OFFICERS

Richard D. McCormick*
Chairman, President and
Chief Executive Officer

A. Gary Ames*
President and Chief Executive Officer,
U S WEST Communications Group

Richard J. Callahan*
Executive Vice President, U S WEST and
President, U S WEST International and
Business Development Group

Charles M. Lillis*
Executive Vice President and
Chief Planning Officer

James M. Osterhoff*
Executive Vice President and
Chief Financial Officer

James H. Ozanne
President and Chief Executive Officer,
U S WEST Capital Corporation

Charles P. Russ III*
Executive Vice President,
General Counsel, and Secretary

James H. Stever*
Executive Vice President, Public Policy

J. Thomas Bouchard*
Senior Vice President and
Chief Human Resources Officer

James T. Anderson*
Vice President and Treasurer

David I. Brenner*
Vice President and Controller

Lorne G. Rubis*
Vice President, Quality

Judith A. Servoss*
Vice President, Public Relations

H. Laird Walker
Vice President, Federal Relations

John DeFeo
President and Chief Executive Officer
U S WEST NewVector Group

Solomon D. Trujillo
President and Chief Executive Officer
U S WEST Marketing Resources

Pearré Williams
President,
Corporate Development Division

* Executive officer

SHAREOWNER INFORMATION

U S WEST Shareowner Services

If you have questions about your U S WEST account (dividend reinvestment, address corrections, transfer requirements), or need to make changes, write:

For general information/transfers:
U S WEST
P.O. Box 8935
Boston, MA 02266-8935

For dividend reinvestment, write:
U S WEST
P.O. Box 8936
Boston, MA 02266-8936

Or you may call toll-free: 1-800-537-0222. Shareowners calling from Alaska, Hawaii or outside the United States, please call collect, 1-505-989-2004.

Dividend Reinvestment and Stock Purchase Plan
Shareowners can reinvest their dividends and make optional payments for a fee of $1.00 per account, per quarter. Contact U S WEST Shareowner Services for enrollment information.

Expected Dividend Record Dates
April 21, 1993
July 21, 1993
October 20, 1993
January 20, 1994

Expected Dividend Payment Dates
May 3, 1993
August 2, 1993
November 1, 1993
February 1, 1994

Annual Meeting
The annual meeting of shareowners will be held at 10 a.m. on Friday, May 7, 1993, at the Minneapolis Convention Center, 1301 Second Avenue South, Minneapolis, MN 55403-2781. A signer will be at the meeting to assist the hearing impaired.

Stock Exchange Listings
U S WEST common stock is listed on the New York, Pacific, London, Zurich, Basel, Geneva, Amsterdam and Tokyo stock exchanges. Its ticker symbol is "USW" and it is listed in newspaper stock tables under "USWEST."

Street-Name Accounts
Shareowners holding stock in street-name accounts who wish to receive U S WEST quarterly reports may contact U S WEST Shareowner Services to be placed on the mailing list.

Additional Information For Investors
The U S WEST Fact Book, as well as the company's current Form 10-K Report filed with the Securities and Exchange Commission, are available by writing to U S WEST Shareowner Services, P.O. Box 8935, Boston, MA 02266-8935. Or call the shareowner toll-free number below.

Shareowner Toll-Free Number
1-800-537-0222

Corporate Headquarters
U S WEST, Inc.
7800 East Orchard Road
Englewood, CO 80111
303-793-6500

U S WEST
7800 EAST ORCHARD ROAD
ENGLEWOOD
COLORADO 80111

ATTACHMENT 9

U S WEST

1993 ANNUAL REPORT

U S WEST is leading a multimedia revolution that will change the way we work, learn and play. IT'S EASY **Whether it's movies on demand, personalized news and home shopping, or voice communications we'll package the services *you* want. Deliver them when and where *you* want. And make sure they're simple to use.**

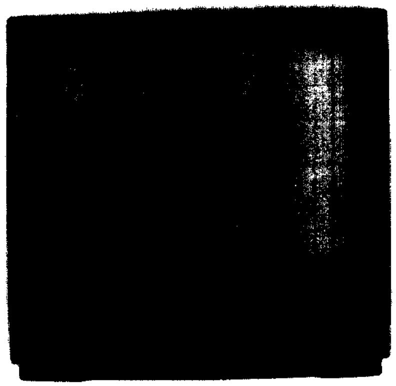


TABLE OF CONTENTS

CORPORATE PROFILE

U S WEST Inc. is in the connections business, helping customers share information, entertainment and communications services in local markets worldwide. U S WEST is headquartered in Englewood, Colo., a suburb of Denver.

The company's major subsidiary, U S WEST Communications, provides services to more than 25 million residential and business customers in 14 western and midwestern states. U S WEST Communications was created from three former Bell telephone companies: Mountain Bell, Northwestern Bell and Pacific Northwest Bell.

U S WEST's stock trades under the symbol USW on the New York Stock Exchange and other major exchanges throughout the world.

CORPORATE MISSION

U S WEST's mission is to be a leading provider of integrated communications, entertainment and information services over wired broadband and wireless networks in selected local markets worldwide.

CORPORATE VISION

By the year 2000, U S WEST will be the finest company in the world at connecting people with their world.

U S WEST INC.

FINANCIAL HIGHLIGHTS

Dollars in millions (except per share data)

	1993	1992	1991	1990	1989
FINANCIAL DATA					
Sales and other revenues	$10,294	$ 9,823	$ 9,528	$ 9,369	$ 9,229
Income from continuing operations (Note 1)	476	1,076	840	1,145	1,075
Net income (loss) (Note 2)	(2,806)	(614)	553	1,199	1,111
Total assets	$20,680	$23,461	$23,375	$22,160	$21,307
Total debt (Note 3)	7,199	5,430	5,969	5,147	5,313
Shareowners' equity	5,861	8,268	9,587	9,240	8,071
Earnings per share (continuing operations) (Note 1)	$ 1.13	$ 2.61	$ 2.09	$ 2.97	$ 2.91
Earnings (loss) per share (Note 2)	(6.69)	(1.49)	1.38	3.11	3.01
Dividends per share	2.14	2.12	2.08	2.00	1.88
Book value per share	13.29	19.95	23.39	23.48	21.58
Return on shareowners' equity (Note 4)	—	14.4%	5.7%	13.7%	14.2%
Debt-to-capital ratio (Note 3)	55.1%	39.6%	38.4%	35.8%	39.7%
Capital expenditures (Note 3)	$ 2,441	$ 2,554	$ 2,425	$ 2,217	$ 1,912
OTHER SELECTED DATA (Domestic Operations)					
Telephone network access lines in service (thousands)	13,843	13,345	12,935	12,562	12,218
Billed access minutes of use (millions)	48,123	44,369	41,701	38,832	36,374
Cellular subscribers (Note 5)	601,000	415,000	300,000	219,000	141,000
Employees	60,778	63,707	65,829	65,469	70,587
Number of shareowners	836,328	867,773	899,082	935,530	962,027
Weighted average shares outstanding (thousands)	419,365	412,518	401,332	386,012	369,098

Note 1 - 1993 income from continuing operations was reduced by a restructuring charge of $610 ($1.46 per share) as discussed in Note 3 to the Consolidated Financial Statements, and $54 ($.13 per share) for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1991 income from continuing operations was reduced by a restructuring charge of $229.9 ($.57 per share).

Note 2 - *See Consolidated Statements of Operations.*

Note 3 - Debt, the debt-to-capital ratio and capital expenditures exclude discontinued operations.

Note 4 - 1993 return on shareowners' equity is not presented. Return on shareowners' equity for fourth quarter 1993 (based on income from continuing operations) was 19.9 percent. *1992 return on shareowners' equity is based on income before cumulative effect of change in accounting principles.*

Note 5 - Cellular subscribers have been restated to include MSA, RSA and wholesale subscribers.

TO OUR SHAREOWNERS: **1993 was a historic year for U S WEST. In a series of firsts that have been widely imitated, we moved into new technologies and new markets. *The Wall Street Journal* described us as being "at the forefront of the revolution in interactive television and telecommunications."**

We got there by announcing concrete plans to harness the converging technologies of information, communications and entertainment. And by maintaining our leadership in making new services easy for our customers to use.

By doing so, we're continuing to build future value for our shareowners.

Highlights of the year included:

— announcement of our plans to build an interactive multimedia network in many cities across the 14-state region that U S WEST Communications serves. This network will enable us to provide the full range of tomorrow's information and entertainment services, as well as telecommunications.

— a precedent-setting alliance with Time Warner Entertainment to build similar networks in many cities *outside* our home territory. The first such Full Service Network™ will begin service this year in Orlando, Fla.

— the introduction in London, with our partner Cable & Wireless, of the world's first "personal communications services." PCS features wireless, pocket-size phones that work almost anywhere and are priced for the average consumer.

— strong growth of the world's largest combined telephone and cable TV service, which we and Tele-Communications Inc. (TCI) offer in the United Kingdom.

— a plan to re-engineer all customer service operations at U S WEST Communications, consolidating 560 service centers into 26 "super centers" that will provide faster, improved installation, repair and other services.

— adoption of new accounting methods to speed the depreciation of telephone wires and switches.

— technical and market trials of services that will provide you a single telephone number, enabling calls to "find" you at home, at the office or in your car.

— a successful trial in suburban Denver, with TCI and AT&T, of "viewer-controlled cable television," in which consumers could choose the movies they wanted, when they wanted.

— an alliance with 14 mobile telephone companies, making it easier for cellular phone users to place and receive calls while traveling across the U.S. and Canada.

— a U.S. alliance with Electronic Data Systems and France Telecom Intelmatique to offer easy-to-use home-banking, bill-paying and money-transfer systems.

— and continued leadership in selling services like Voice Messaging and Caller ID, by making them easier to use than similar services offered by others.

Each of these developments was an important step toward fulfilling our strategic mission: to become a leading provider of interactive communications, entertainment and information services. And to provide them together, over wired and wireless networks, in selected local markets worldwide.

In the years ahead, we'll develop multimedia systems that will provide movies, banking, shopping, education, medical monitoring, personalized news reports and other services.

Most important: We can say to our customers, *"You'll be able to choose* what you want the network to deliver...and when. And we'll make it easy for you, by providing easy-to-use 'menus' and customized packages of products and services."

As we focused on improving our services and building future value for our shareowners, we also upheld our commitments to the present. Our sales, earnings from operations (excluding a restructuring charge) and quality of service continued to improve.

Revenues for the year were $10.29 billion, up 4.8 percent from 1992. Especially strong were sales of cellular telephone service; we added a record 186,000 subscribers — a 45 percent increase. Meanwhile, the number of telephone access lines served by U S WEST Communications grew by 498,000 — a record 3.7 percent increase from 1992. Also up, by 8.5 percent, were "minutes of use," an indicator of long-distance calling volumes.

This strong volume growth and continued cost controls resulted in a 6.7 percent increase in U S WEST's earnings before interest, taxes, depreciation, amortization and other income, or EBITDA. (That figure excludes the effects of a one-time restructuring charge.) EBITDA is considered an important indicator of the operating performance of companies in growing industries.

Income from continuing operations was $1.14 billion, or $2.72 per share, excluding one-time charges and the operations of the financial services businesses, which the company is selling. *Including* the effects of all one-time charges, the company reported a loss for the year of $2.81 billion — but this did *not* affect the cash available for current obligations or for dividends.

Cash dividends for the year were $2.14, up about 1 percent.

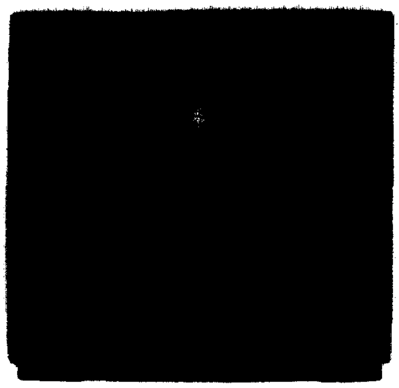
U S WEST stock was trading at $38.375 as the year began and $45.875 at year's end, up 19.5 percent. Combined with dividends, this represents a "total return" of 25.4 percent for the year.

We continued to work hard, worldwide, to improve the quality of our products and services.

In Utah, we invited customers to "Just Say When" they wanted telephone installations and repairs. In a matter of weeks, customers' ratings of our service improved 40 percent, thanks to this program. We're extending it companywide.

Overall, the percentage of customers giving us an "A" rating is up 16 percent since 1990.

As we continue to streamline our operations and introduce new technology, there will be fewer jobs at U S WEST. While this is an unfortunate reality, we're striving to ensure that the remaining jobs will be *better,* as we work to meet the needs of our customers and the challenges of growing competition in the communications industry.



"YOU'LL BE ABLE TO CHOOSE WHAT YOU WANT...AND WHEN"
RICHARD D. McCORMICK

We intend to be the leader in our markets, and we're investing in networks and systems that we believe will generate long-term growth in sales, cash flow and earnings. In other developments during 1993, we began selling our financial services businesses; this will enable us to concentrate our capital and our attention on the opportunities I've described in the communications business.

In other events, two members were elected to the U S WEST Board of Directors: Frank Popoff, chairman and chief executive officer of The Dow Chemical Co.; and Marilyn Carlson Nelson, vice chair of Carlson Holdings Inc., and chair of Citizens State Bank of Waterville and Montgomery, Minn.

Among the challenges we faced in 1993 was the widespread flooding in Iowa. U S WEST employees did an outstanding job of keeping the phone lines working for our customers and for public service agencies, as well as doing a great deal of volunteer work.

Your company received the national Corporate Conscience Award from the Council on Economic Priorities. The award recognized the U S WEST Foundation's support of education, including the American Indian College Fund, and economic development, through the REvive program for rural areas. The foundation invested more than $23 million in the region's future during 1993.

We were also the only communications company listed in a 1993 update of "The 100 Best Companies to Work For in America." And we were listed, once again, in *Working Mother* magazine's list of best places for women to work. We are pleased to be listed, and are continuing our efforts in these areas.

We're excited about our work, which we call "connecting people to their world." And we intend to become the world's best at doing so.

Sincerely,

Richard D McCormick

Richard D. McCormick
Chairman and Chief Executive Officer

1993 ANNUAL REPORT **Everywhere we turn these days, we hear about the "information superhighway." To some, it may be a vague, even intimidating, concept. But to U S WEST it represents an unprecedented opportunity to improve people's lives — and increase shareholder value. That's** why we're taking the lead in developing the information superhighway — and making it as easy as 1, 2, 3.

The information superhighway will bring you an array of convenient services — *whenever* and *wherever* you want. If you're working at home, it will help you communicate with the office by phone, fax, computer and video. If you're relaxing at home, you'll be able to order movies on demand. Play video games with somebody across town. Or shop from a host of video catalogs.

If you want to buy a shirt, for example, you'll just tap a remote control, choose the store from a menu on your TV screen, find the right department and order the shirt in the size and color you want. The whole process could take only a minute or two, and you could have the shirt delivered to your door the next day.

This new network also will bring people together — even when they're miles apart. Voice and video services can connect distant classrooms, enabling students at both schools to work together on a project. Or a doctor at an urban hospital can help diagnose a patient at a rural clinic by reviewing an X-ray that's sent electronically.

THE KEY IS MAKING IT EASY TO USE **Clearly, the information superhighway can offer unlimited possibilities. But those dreams will become reality *only* if the technology is easy to use. That's why U S WEST, with an unparalleled track record of meeting customers' needs, is committed to** packaging these new services in a simple, helpful way. Because U S WEST foresaw — and *led* — the convergence of cable TV and telephone services, we have a head start at realizing the promise of this new era. And to help ensure that public policies keep pace with our rapidly changing industry, we're working constructively with state and federal government officials.

As the chairman's letter indicates, U S WEST has taken several bold steps to make the most of the convergence of the communications, entertainment and information industries:

• In February, U S WEST was the first regional Bell company to commit to upgrading its network to provide two-way video, voice and data services. We're testing that network this year in Omaha, and plan to build similar systems in Denver; Minneapolis - St. Paul; Portland, Oregon; and Boise, Idaho. By the end of 1994, we intend to unveil initial deployment plans for multimedia networks in 15 more cities in our region.

• In May, U S WEST also became the first regional Bell company to announce plans to deliver multimedia services *outside* its home territory. Our partnership with Time Warner Entertainment was the first domestic alliance between a telecommunications company and a major entertainment company. We completed the $2.5 billion agreement in September, and customers will start using Time Warner's Full Service Network™ this year in Orlando, Fla. Together, our companies plan to build Full Service Networks in many other cities served by Time Warner Cable.

• In September in the United Kingdom, U S WEST and Cable & Wireless became the first companies in the world to offer commercial "personal communications services," or PCS — a new generation of pocket-size, mobile telephones that work almost anywhere and are priced for the average consumer. Initial orders for the service, known as Mercury One-2-One, are exceeding our projections.

• Also in the United Kingdom, U S WEST and Tele-Communications Inc. (TCI) are the largest providers of telephone and cable TV services in one convenient package. And the experience we're gaining there — as a head-to-head competitor with British Telecom — is proving invaluable at home.

• U S WEST's test of video-on-demand services with TCI and AT&T was the first by a regional Bell company. Customers participating in the trial in suburban Denver bought 12 times more movies than the projected national average for pay-per-view TV.

As our business horizons widen, it's clear that no one company can do it all. Success in these new markets requires key alliances to take advantage of the complementary technological expertise of other companies.

Here again, U S WEST is at the forefront of change: Besides our partnerships with TCI, Cable & Wireless and Time Warner Entertainment, we have several key business relationships that align us with the leaders in hardware, software and network technologies.

DOMESTIC TELECOMMUNICATIONS

As we prepare for the future, U S WEST continues to offer high-quality telecommunications services today. Our largest subsidiary, U S WEST Communications, provides local-area telecommunications services to more than 25 million customers in 14 states, encompassing the Pacific Northwest, the Rocky Mountains, the Southwest and the Upper Midwest.

The region we serve has a diversified economy, including growth areas such as high-tech manufacturing and computer software development, as well as farming, mining, oil and gas production, tourism, manufacturing and insurance. Regional employment growth continues to outpace the nation's.

In 1993, that growth was reflected in record increases in "access lines" — the number of home and business telephone numbers we serve. In fact, our record access-line growth of 3.7 percent, or 498,000 lines, made U S WEST one of the fastest-growing regional Bell companies. In addition, minutes of use, an indicator of long-distance calling volumes, grew by 8.5 percent in 1993.

FOCUSING ON THE FUTURE

As we evaluate our risks and opportunities in this competitive industry, we're focusing on three areas of our business to ensure our continued success: • Building customer loyalty; • Continuing to reduce costs; and • Developing new sources of revenue.

Building customer loyalty is our number-one priority. In a competitive marketplace, *customers* decide the winners and losers. When we asked customers about our service, they told us they expect reliability, easy access to someone who can help and prompt repairs when there's a problem.

While we're very good at those things, here's what we're doing to be even better:

- We're creating 26 full-service centers in 10 cities to replace 560 centers spread across our 14-state region. Employees staffing these new centers will have the training and systems available to them to immediately take care of *any* customer need;
- We're calling customers after a service or business transaction to be sure they're satisfied;
- We're letting customers schedule appointments when it's convenient for *them*, including nights and weekends; and
- We're using new technology to diagnose and fix many potential problems *before* they affect service.

Much of what we're doing to improve service also will help us reduce costs by being more efficient. Unfortunately, as part of that streamlining, we intend to eliminate 9,000 jobs in the next three years. Those cost savings enable us to devote more resources toward developing new services.

With the help of our research-and-development laboratory, two U S WEST products have become industry leaders: our easy-to-use voice mail and our Caller ID service, which shows the caller's *name* as well as number.

To help our customers work better and live better, and to generate new sources of revenue, we introduced a stream of other user-friendly services in 1993:

- A directory-assistance service that connects callers to the number they request;
- A single-number service in Phoenix that allows companies with several branches, such as a pizza delivery business, to advertise one number to call. Callers are automatically routed to the nearest store;
- A U S WEST Visa Card that serves as a credit card for consumer purchases *and* a telephone calling card;
- Advanced pay phones with voice prompts, larger number-buttons and a next-call button for multiple credit-card calls. And if these pay phones develop trouble, they automatically go out of service and notify our repair center; and
- A "broadcast" fax service that helps travel and hospitality companies sell airline tickets, hotel rooms and tours. By faxing a single promotional message, these companies can reach a list of thousands of travel agents.

We're also meeting the needs of the growing data-communications market with sophisticated products, such as:

- Frame relay service, which enables companies with computer networks to exchange large volumes of data;
- Desktop video service, which allows customers to use personal computers for video calls; and
- A new service that's expected to change the data-communications industry by sending voice, data, video and images in a single format.

We're also designing services for new markets. We formed the U S WEST Multimedia Group to work with Time Warner Entertainment and other partners in packaging a wealth of services to attract customers outside our 14-state region.

In three Colorado cities, we're providing a service that recognizes your voice and dials programmed telephone numbers upon request. And we're developing innovative ways to keep the growing number of work-at-home people connected to the rest of the world.

Our major sales in 1993 included:

- A series of long-term contracts with Boeing valued at more than $17.5 million to use high-speed computers and communications to help engineer a new wide-body Boeing 777 airplane; and
- A communications system worth more than $30 million at the new Denver International Airport. The system makes the airport the biggest single user of fiber optics in U S WEST's region.

THE WIRELESS WORLD **Our mobile communications company, U S WEST NewVector, provides U S WEST Cellular service in most of the major cities in our 14-state region, plus San Diego. 1993 was a year of market innovations and exceptional subscriber growth for U S WEST Cellular. At** year's end, we served more than 600,000 customers, up 45 percent from 1992.

That strong growth should continue because record numbers of consumers are discovering the convenience, personal security and time-saving advantages of cellular phones.

We expanded our cellular reach this year by helping develop and introduce MobiLink — a new national standard for cellular telephone service. Supported by 14 mobile telephone companies, MobiLink offers unprecedented network quality and customer service across the United States and Canada.

We also continued to modernize our cellular systems. In Seattle, Denver and Minneapolis, we converted our networks to the latest Motorola technology and launched a new service that combines the benefits of a cellular phone, pager and answering machine in one pocket-size package. Called the MegaPhone, these digital services can print a brief message on the phone's display screen, indicate when a message is waiting, or let you return a call with the push of a button.

Thanks to a new, enhanced directory-assistance service, our customers on the go in Phoenix and San Diego can call a SelectConnect operator to get specific information, such as an Italian restaurant on the west side of town. The operators will list the various options, provide directions and automatically connect you to the restaurant of your choice to make a reservation. We plan to expand this time-saving service to other U S WEST Cellular markets in 1994.

In the Seattle area, we're testing a new generation of digital networks that will offer customers even better call quality, greater privacy and more convenient services. U S WEST NewVector was the first cellular carrier in the world to purchase this system.

Associating phones with people, rather than places, is the key to the next major growth market in mobile telephones — personal communications services. We'll be testing these new pocket-size phones this year in Boise, Idaho, and Boulder, Colo.

To focus exclusively on two-way, wireless communications, we signed an agreement to sell U S WEST Paging to The WestLink Company. The sale is expected to be completed by mid-1994. NewVector will continue to resell packaged paging services for our customers.

MARKETING SERVICES The businesses of U S WEST Marketing Resources bring buyers and sellers together through White and Yellow Pages directories, data-base marketing and interactive multimedia information services. Our core business, U S WEST Direct, annually publishes more

than 300 directories and distributes a total of 40 million copies. In 1993, our Yellow Pages revenues grew nearly 6 percent — almost triple the industry average. And to retain that competitive edge, we're making our directory production process even more efficient and responsive to customer needs.

In addition, U S WEST Marketing Resources entered the billion-dollar data-base marketing business by introducing a new retail service in Omaha called Your Value Card. An electronic coupon resembling a credit card, Your Value Card gives buyers automatic discounts, while participating businesses gain valuable marketing information about their marketplace.

To remain a leader in the information services industry, we're giving customers push-button control in getting the precise information they want 24 hours a day. In 1993, for example, we:

- Introduced U S WEST CityKey in San Francisco. CityKey is a two-way information service that lets guests of certain hotels use the TV and remote control in their rooms to get information on local entertainment, sports and transportation;
- Launched U S WEST EasySource in the Denver Yellow Pages. This 16-page "infotainment" section of the Yellow Pages is an interactive audio service that offers timely news, sports, weather and other consumer information; and
- Formed an alliance with Electronic Data Systems and France Telecom Intelmatique to let customers bank at home and receive and pay certain bills electronically.

INTERNATIONAL OPERATIONS Through U S WEST International, we're pioneering new technologies and developing and operating growing businesses that provide cable TV and telephone services, as well as wireless communications. And we're transferring the knowledge we're gaining in

Europe to new markets at home. The heart of our international operations is in the United Kingdom, where our joint venture with TCI, TeleWest Communications, is the largest operator of combined cable TV and telephone networks. At the end of 1993, TeleWest's network passed about one-third of the 3.3 million households in our 24 franchises, and served 226,000 cable TV customers, up from 144,000 at the end of 1992. TeleWest also provided 140,000 telephone lines in 1993, up from 77,000 the year before.

Also in the U.K., U S WEST and Cable & Wireless last fall introduced Mercury One-2-One — the world's first high-quality, pocket-size, mobile telephone designed and priced for the average consumer. Customer response to this new technology, known as personal communications services, has exceeded our expectations.

In Russia, we're playing a major role in building a cellular telephone system across 10 regions of that vast country. We already provide cellular service in Moscow and St. Petersburg, and international long-distance switching centers in those cities and Lithuania. To continue improving Russia's infrastructure, we formed an innovative organization — the Russian Telecommunications Development Corporation — to manage and fund various telecommunications projects there.

In addition, U S WEST International:

- Won a license in 1993 to build and operate a new digital cellular telephone system in Hungary, where another type of cellular service we provide has been extremely popular. We also operate growing cellular businesses in the Czech Republic and Slovakia;
- Operates cable TV systems in Hungary, Norway, Sweden and France; and
- Publishes eight Yellow Pages directories in Poland.

EASY AS 1,2,3 **All the services U S WEST offers have one thing in common: they were designed for our customers' convenience. As an industry leader, we're committed to not only meeting — but *exceeding* — customer expectations. Because by building customer loyalty, we're also** creating superior, long-term shareholder value. As we begin to package new video, voice and data services for our customers, our goal is just as clear: to make the information superhighway as easy to use as the telephone.

As easy as 1, 2, 3.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

RESULTS OF OPERATIONS - 1993 COMPARED TO 1992

			Increase (Decrease)	
	1993	1992	$	%
Income from continuing operations	$ 475.9*	$ 1,075.8	$ (599.9)	(55.8)
Income (loss) from discontinued operations	(81.5)	103.6	(185.1)	—
Extraordinary items:				
Discontinuance of SFAS No. 71, net of tax	(3,123.0)	—	(3,123.0)	—
Early extinguishment of debt, net of tax	(77.2)	—	(77.2)	—
Cumulative effect of change in accounting principles	—	(1,793.4)	1,793.4	—
Net loss	$(2,805.8)	$ (614.0)	$(2,191.8)	—
Earnings per share from continuing operations	$ 1.13*	$ 2.61	$ (1.48)	(56.7)
Earnings (loss) per share from discontinued operations	(.19)	.25	(.44)	—
Extraordinary items:				
Discontinuance of SFAS No. 71	(7.45)	—	(7.45)	—
Early extinguishment of debt	(.18)	—	(.18)	—
Cumulative effect of change in accounting principles	—	(4.35)	4.35	—
Loss per share	$ (6.69)	$ (1.49)	$ (5.20)	—

*1993 income from continuing operations was reduced by $610.0, or $1.46 per share, for a restructuring charge, and $54.0, or $.13 per share, for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

In 1993, U S WEST Inc. ("U S WEST" or the "company") income from continuing operations was $475.9, which includes a $610.0 (after tax) restructuring charge and $54.0 for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. Excluding these one-time effects, 1993 income from continuing operations and related earnings per share were $1,139.9 and $2.72, respectively. As normalized, 1993 income from continuing operations increased by $64.1, or 6.0 percent, over the same period last year, and related earnings per share increased by $.11, or 4.2 percent, on more shares outstanding. The increase is primarily attributable to improvements in telephone, domestic cellular and publishing operations, and lower financing costs, partially offset by increased losses associated with developing businesses.

Revenue growth and continued cost controls in 1993 resulted in a 6.7 percent increase in the company's earnings before interest, taxes, depreciation, amortization and other income ("EBITDA"), excluding the effects of the 1993 restructuring charge. The company considers EBITDA an indicator of the operational strength of its businesses.

The plan underlying the 1993 restructuring charge is designed to achieve faster, more responsive customer services, while reducing the costs of providing these services. The plan includes a work-force reduction of approximately 8,000 employees by the end of 1996, in addition to a remaining reduction of approximately 1,000 employees related to the 1991 restructuring plan. (See further discussion under "Restructuring Charges.")

During the second quarter of 1993, the U S WEST Board of Directors approved a plan to dispose of the Capital Assets segment, which includes activities related to financial services and financial guarantee insurance operations. Also included in the segment is U S WEST Real Estate Inc., for which disposition was previously announced. The Capital Assets segment is being accounted for as discontinued operations in accordance with Accounting Principles Board Opinion No. 30, which provides for the reporting of the operating results of discontinued operations separately from continuing operations. The company recorded a provision of $100.0 (after tax), or $.24 per share, for the estimated loss on disposal of the discontinued operations. An additional provision of $20.0 was recorded in the third quarter to reflect the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. Income from discontinued operations to June 1, 1993, was $38.5, net of $15.3 in income taxes. Income from discontinued operations subsequent to June 1, 1993, is being deferred and was included within the provision for loss on disposal of the Capital Assets segment.

An extraordinary, non-cash charge of $3.1 billion (after tax) was incurred in conjunction with U S WEST's decision to discontinue accounting for the operations of U S WEST Communications Inc. ("U S WEST Communications") in accordance with Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." SFAS No. 71 generally applies to regulated companies that meet certain requirements, including a requirement that a company be able to recover its costs, competition notwithstanding, by charging its customers at prices established by its regulators. U S WEST's decision to discontinue the application of SFAS No. 71 was based on the belief that competition, market conditions and the development of broadband technology, more than prices established by regulators, will determine the future revenues of U S WEST Communications. As a result of this change, the remaining asset lives of U S WEST Communications' telephone plant have been shortened to more closely reflect the useful (economic) lives of such plant. U S WEST Communications' accounting and reporting for regulatory purposes are not affected by the change.

During 1993, U S WEST Communications refinanced long-term debt issues aggregating $2.7 billion in principal amount. These refinancings allowed the company to take advantage of favorable interest rates. Extraordinary costs associated with the redemptions reduced 1993 income by $77.2 (after tax).

The accounting change in 1992 relates to the required adoption of two accounting standards related to postretirement and postemployment benefits (SFAS Nos. 106 and 112). The adoption of SFAS Nos. 106 and 112, which resulted in a one-time, non-cash charge against 1992 earnings of $1,793.4 (after tax), including $52.7 related to SFAS No. 112, is more fully discussed in "Results of Operations - 1992 Compared to 1991."

INCOME FROM CONTINUING OPERATIONS: BASE AND DEVELOPING BUSINESSES

			Decrease	
	1993	1992	$	%
Base businesses:				
U S WEST Communications	$ 435.3	$ 950.0	$(514.7)	(54.2)
Publishing and other	179.5	206.8	(27.3)	(13.2)
Total base	614.8	1,156.8	(542.0)	(46.9)
Developing businesses	(138.9)	(81.0)	(57.9)	(71.5)
Income from continuing operations	$ 475.9*	$1,075.8	$(599.9)	(55.8)

*1993 income from continuing operations was reduced by $610.0, or $1.46 per share, for a restructuring charge, and $54.0, or $.13 per share, for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

U S WEST's operations consist of "base" businesses that have moderate, though consistent, growth rates and which generate substantial income and cash flows, and "developing" businesses that are high-growth potential businesses that are not expected, in the aggregate, to show positive net cash flows or earnings in the near term.

Base Businesses

U S WEST's base businesses include U S WEST Communications, which provides telecommunications services in 14 western and midwestern states, serving approximately 80 percent of the population and approximately 40 percent of the land area. U S WEST Communications offers local service, exchange access service and long-distance network service. About 28 percent of the company's access lines are devoted to providing services to business customers. The access line growth rate for business customers, who tend to be heavier users of the telephone network, has consistently exceeded the growth rate for residential customers. During 1993, business access lines grew by 5.0 percent vs. 3.2 percent for consumer lines. Overall, 1993 access line growth was 3.7 percent.

Base businesses also include the publishing of approximately 300 White and Yellow Pages directories in 14 states.

During 1993, income from the company's base operations increased to $1,237.0, excluding the effects of the 1993 restructuring charge and the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. This represents an increase of $80.2, or 6.9 percent, over the same period last year. The increase is attributable to higher demand for telephone services, including the effects of record growth in access lines, and continued cost controls, partially offset by lower prices.

Developing Businesses

Developing businesses include U S WEST's domestic cellular business and a growing portfolio of domestic and international telecommunications and cable television investments, the most significant of which is represented by the company's September 1993 $2.5 billion investment in Time Warner Entertainment Company L.P. ("TWE"). Other investments include joint ventures in cable TV and telephony businesses in the United Kingdom, wireless communications, including personal communications services, and international networks. Most of these investments are in high-growth, investment phases. While certain of the company's Eastern European cellular and network ventures are currently in a positive cash flow and income position, the majority of the company's portfolio consists of businesses that will not show positive net income or cash flow until they mature. These losses, which are part of our expected investment in these businesses, will continue in the near term.

Business volumes related to the developing businesses continue to expand rapidly. Domestic cellular operations added a record 186,000 subscribers in 1993, a 45 percent increase from 1992. Cable TV subscribers in the United Kingdom joint venture increased to 226,000, compared to 144,000 one year ago. Additionally, the joint venture provides 140,000 telephone access lines in the United Kingdom, compared to 77,000 in 1992. The number of cellular customers served by joint venture operations in Hungary, the Czech Republic, Slovakia and Russia grew to 63,000 in 1993, compared to 32,000 a year ago.

SALES AND OTHER REVENUES

	1993	1992	Increase (Decrease) $	%
Base businesses:				
U S WEST Communications operations:				
Local service	$ 3,829.1	$3,674.3	$154.8	4.2
Access charges - interstate	2,146.9	2,046.9	100.0	4.9
Access charges - intrastate	682.0	672.8	9.2	1.4
Long-distance network service	1,441.5	1,419.7	21.8	1.5
Other services	556.4	510.0	46.4	9.1
Total U S WEST Communications	8,655.9	8,323.7	332.2	4.0
Publishing and other	1,076.9	1,092.3	(15.4)	(1.4)
Total base	9,732.8	9,416.0	316.8	3.4
Developing business:*				
Domestic cellular	560.8	406.6	154.2	37.9
Total revenues	$10,293.6	$9,822.6	$471.0	4.8

*With the exception of domestic cellular, which is a consolidated subsidiary, substantially all of the company's investments in developing businesses are in ventures that are accounted for using the equity method.

Approximately 84 percent of the revenues of U S WEST are attributable to the operations of U S WEST Communications, approximately 58 percent of which are derived in the states of Arizona, Colorado, Minnesota and Washington.

The primary factors that influence changes in revenues at U S WEST Communications include customer demand for products and services, whether through new service offerings or access line growth, price changes and customer refunds related to regulatory proceedings. An analysis of the change in U S WEST Communications' revenues follows:

Local Service

Price Decreases	Higher Refunds	Demand	Reclassifications and Other	Increase $	%
$(5.7)	$(10.6)	$175.5	$(4.4)	$154.8	4.2

Local service revenues include local telephone exchange, local private line and public telephone services. The increase in local service revenues was primarily attributable to access line growth, partially offset by refunds and price decreases.

Access Charges

Access charges are collected primarily from the interexchange carriers for their use of the local exchange network. For interstate access services, there is also a fee collected directly from telephone customers. Approximately 41 percent of U S WEST Communications' access revenues and 13 percent of its total revenues are derived from providing access service to American Telephone and Telegraph Company ("AT&T").

Interstate Access Charges

Price Decreases	Lower Refunds	Demand	Reclassifications and Other	Increase	
				$	%
$(71.5)	$5.8	$175.4	$(9.7)	$100.0	4.9

Increased demand for interstate access services, as evidenced by an increase of 8.5 percent in interstate billed access minutes of use, more than offset the effects of price decreases. Interstate price reductions have been phased in by the Federal Communications Commission ("FCC") over a number of years. U S WEST Communications reduced its annual interstate access prices by approximately $60, effective July 1, 1993, in addition to $90, effective July 1, 1992, primarily due to FCC-mandated changes which resulted in a cost shift to intrastate jurisdictions. Access prices will continue to decline, whether mandated by the FCC or as a result of an increasingly competitive market for access services.

Intrastate Access Charges

Price Decreases	Lower Refunds	Demand	Reclassifications and Other	Increase	
				$	%
$(18.1)	$8.0	$19.3	—	$9.2	1.4

Intrastate access charges increased primarily as a result of increased demand and lower refunds, largely offset by the effects of price decreases.

Long-Distance Network Service

Price Decreases	Higher Refunds	Demand	Reclassifications and Other	Increase	
				$	%
$(7.0)	$(0.6)	$31.2	$(1.8)	$21.8	1.5

Long-distance network service revenues are derived from calls made within the service area boundaries of U S WEST Communications, commonly referred to as "LATAs." The increase in long-distance network service revenues reflects business growth, partially offset by the impacts of competition, particularly in Wide Area Telephone Service ("WATS") and "800" services, and price decreases.

Other Services

Other services revenues are derived from billing and collection services provided to interexchange carriers, and new services such as voice messaging. These revenues increased 9.1 percent in 1993 due to increased revenue from billing and collection services and continued market penetration in voice messaging services.

Publishing and Other

	1993	1992	Increase (Decrease) $	%
Publishing	$ 949.2	$ 949.1	$ .1	—
Other - net	127.7	143.2	(15.5)	(10.8)
Total	$1,076.9	$1,092.3	$(15.4)	(1.4)

Revenue for the entire publishing and other group was reduced by approximately $86 in 1993 due to the sale of certain publishing and telephone equipment distribution operations. Revenues from ongoing operations increased $70.6, or 6.5 percent, primarily as a result of price increases related to publishing activities. Volume of Yellow Pages directory advertising was essentially flat in 1993, while the industry as a whole experienced declines in unit volume.

Domestic Cellular

	1993	1992	Increase $	Increase %
Domestic cellular	$560.8	$406.6	$154.2	37.9

Domestic cellular revenues increased as a result of an expanded cellular customer base, which grew by 45 percent in the last 12 months. This growth reflects increased penetration and a migration to the retail distribution channel. The cellular customer base is expected to continue growing, though rates of growth will likely be affected by increased competition in coming years. Average cellular revenue declined by 5.6 percent (consistent with industry trends) to approximately $76 per customer, per month. This trend is expected to continue as cellular penetration in mass markets increases.

COSTS AND EXPENSES

	1993	1992	Increase (Decrease) $	Increase (Decrease) %
Employee-related costs	$3,630.7	$3,521.1	$109.6	3.1
Other operating expenses	2,018.7	1,960.9	57.8	2.9
Taxes other than income taxes	417.0	377.6	39.4	10.4
Depreciation and amortization	1,954.5	1,880.5	74.0	3.9
Restructuring charge	1,000.0	—	—	—
Interest expense	439.3	453.5	(14.2)	(3.1)
Other income (expense) - net	(88.7)	(59.8)	28.9	48.3

Employee-related costs include basic salaries and wages, overtime, contract labor, benefits (including pension and health care) and payroll taxes. Employee-related costs at U S WEST Communications increased by $54.0, or 1.9 percent, over 1992. This increase was attributable to basic wage increases, increased overtime costs (affected by flood damage in the midwestern states) and costs incurred for temporary employees in conjunction with customer service initiatives. These factors were partially offset by the effects of work-force reductions, primarily in conjunction with the company's 1991 restructuring plan. During 1993, U S WEST Communications reduced its employee level by 2,755 employees. The work-force reductions and the company's emphasis on health care cost containment through managed care and other programs, and earnings on the amounts funded for postretirement benefit costs, resulted in a decline in health care costs of approximately $25 in 1993. Growth in the company's domestic cellular business also contributed to the increase in employee-related costs.

Other operating expenses include access charges (incurred by U S WEST Communications for the routing of its long-distance traffic through the facilities of independent companies), network software expenses, cellular marketing costs, and marketing and related costs associated with publishing activities. Other operating expenses increased by $43.2, or 2.8 percent, at U S WEST Communications as a result of higher network software costs and increased advertising expenses. Higher marketing costs related to an expanding domestic cellular subscriber base also contributed to the increase in other operating expenses, partially offset by lower expenses due to the sale of certain publishing and telephone equipment distribution operations.

Taxes other than income taxes primarily consist of property taxes and taxes based on gross receipts of telephone operations. The increase is due in part to adjustments made in 1992 for resolution of certain longstanding appeals.

Depreciation and amortization expense increased $71.1, or 4.1 percent, at U S WEST Communications as a result of a higher depreciable asset base and increased rates of depreciation. These effects were partially offset by the completion of depreciation reserve deficiency amortization programs in several jurisdictions. Prior to the September 1993 discontinuance of SFAS No. 71, depreciation expense was based on regulator-approved depreciation rates. The company's discontinuance of SFAS No. 71 has resulted in the use of shorter asset lives (for financial reporting purposes) to more closely reflect the economic lives of telephone plant. Based on these new economic lives, U S WEST Communications expects depreciation expense in 1994 to increase by approximately 3 percent to 5 percent from the 1993 amount. U S WEST Communications continues to pursue higher regulator-approved depreciation rates and improved capital recovery within the regulatory environment.